

2003 FOURTH QUARTER REPORT

October 1 – December 31, 2003



NORTON SOUND ECONOMIC DEVELOPMENT CORPORATION

420 L Street, Suite 310
Anchorage, AK 99501
Phone: (907) 274-2248
Fax: (907) 274-2249

Table of Contents

I. Quarterly Highlights	1
II. Community Development	2
A. Progress Toward Goals, Objectives, Milestones	2
Administrative	2
CDQ Harvest Management	3
Fund for Purchase of Equity Interest	4
Funding for Harvesting and Tendering Vessel	5
Fund for IFQ Purchases	5
Education, Employment and Training Program – Education & Training Component	6
Education, Employment and Training Program - Employment Component	6
Education Endowment	7
Revolving Loan Program	8
Fisheries Development Program	8
Salmon Rehabilitation and Enhancement Program	8
Shoreside Infrastructure Improvements Program	9
CDQ Fees	9
Norton Sound Seafood Products	9
Norton Sound Vessel Management	10
Community Outreach Program	10
Other Fund Management	10
Board Training	11
Substance Abuse Prevention	11
Community Benefit Share	12
A. Outreach	13
B. Employment	14
Employment Data Form	14
Employment Summary	15
C. Training	17
Training Data Form	17
Training Summary	17
III. Administration	18
A. Board Activities	18
Board of Director Meetings	18
Board of Director Elections	18
Board of Director Training	18
Substantial Decisions	19

Board Meeting Minutes	19
B. State of Alaska Reporting Compliance	19
C. Amendment Status	19
IV. Harvesting Report	20
A. Pollock and Multi-species CDQ Harvest Activities by Target Fishery	20
B. CDQ Fishing Activities	33
Pollock	33
Pacific Cod	34
Sablefish	35
Greenland Turbot	35
Atka Mackerel	35
Yellowfin Sole and Rock Sole	36
Halibut	36
Bering Sea Opilio Crab	37
Norton Sound Red King Crab	37
Bristol Bay Red King Crab	37
St. Matthew Blue King Crab	37
Bering Sea Bairdi Crab	38
Projection of Annual CDQ in 2004	38
CDQ Crab Custom Processing and Sales Activities	38
2003 Bristol Bay red king crab	38
V. Confidential Issues	39
A. Financial Statements	39
B. Tax Issues	39
C. Imminent Major Investments	39
D. Other	40

I. Quarterly Highlights

- NSEDC standing committees held their 2003 third quarter meetings in Nome on October 15 – 16, 2003.
- NSEDC Board of Directors held their 2003 third quarter meetings in Nome on October 14 – 15, 2003.
- NSEDC held the 2003 Annual meeting of the Members and Annual meeting of the Directors in Nome on October 17, 2003.
- Five NSEDC member communities held elections for their local NSEDC Representative. Those communities and their elected representative are: Nome (Done Stiles), Savoonga (Sam Mokiyuk), St. Michael (Victor Joe), Elim (Charles Saccheus Sr.), and Teller (Isaac Okleasik).
- Glacier Fish Company held their quarterly management meeting on December 2nd, 2003.
- NSEDC held a Board Training Workshop in Seattle, WA on December 4 – 5, 2003.
- NSEDC awarded \$3,750 to three residents in post-secondary scholarships during the fourth quarter of 2003.
- NSEDC awarded \$5,000 to four residents in vocational scholarships during the fourth quarter of 2003.
- Thirty residents of member communities or of nearby communities worked on the *F/V Northern Glacier*, *F/V Pacific Glacier* and the *F/V Norton Sound* earning a total of \$199,106.91 in wages in the fourth quarter.
- One resident worked on the Ocean Olympic as a deckhand for the CDQ red king crab fishery during the fourth quarter.
- NSEDC sponsored a Fisheries Safety Orientation Class at the Alaska Vocational Technical Center from October 12 – 23, 2003, in which six participants successfully completed the course.
- The NSEDC Board of Directors declared a \$35,000 Community Benefit Share for the year 2003 for each of the NSEDC member communities.
- NSEDC held a Staff Retreat which included staff training in Anchorage on December 18 – 19, 2003.
- A total of six internships were sponsored by NSEDC during the fourth quarter. Internships were sponsored at NSEDC Norton Sound Fisheries R & D (1), NSEDC Administration (2), Alaska Department of Fish & Game (1) and the Bering Strait School District (2).

II. Community Development

A. Progress Toward Goals, Objectives, Milestones

Administrative

MILESTONE: NSEDC BOARD OF DIRECTORS WILL HOLD REGULARLY SCHEDULED MEETINGS DURING EACH QUARTER IN 2003-2005

Activity: NSEDC Board of Directors held their 2003 third quarter meetings in Nome on October 15 & 16, 2003.

MILESTONE: NSEDC WILL HAVE AN ANNUAL AUDIT TO BE COMPLETED BEFORE MAY 31 OF 2003-2005

Activity: NSEDC contracted with KPMG to conduct the NSEDC 2002 Annual Audit, which was completed prior to May 31st.

MILESTONE: NSEDC WILL PREPARE AND SUBMIT AN ANNUAL BUDGET FOR THE FOLLOWING YEAR, NOT LATER THAN THE END OF THE FIRST QUARTER OF EACH YEAR.

Activity: NSEDC submitted an annual budget for 2003 in December of 2002.

MILESTONE: NSEDC WILL PREPARE A CORPORATE ANNUAL REPORT FOR ITS MEMBERS, AND MAIL IT TO RESIDENTS IN THE FIFTEEN MEMBER COMMUNITIES BY THE THIRD QUARTER OF 2003-2005

Activity: The NSEDC 2002 Corporate Annual Report was completed and mailed to residents in NSEDC's fifteen member communities in the second quarter of 2003.

MILESTONE: NSEDC WILL PROVIDE STAFF TRAINING EACH YEAR, NOT LATER THAN THE END OF THE FOURTH QUARTER

Activity: NSEDC held a staff retreat for all staff members which included a staff training in Anchorage on December 18 & 19, 2003.

MILESTONE: NSEDC WILL FILE QUARTERLY REPORTS TO THE STATE OF ALASKA WITHIN THIRTY DAYS OF THE END OF EACH CALENDAR QUARTER

Activity: Quarterly reports for the third quarter of 2003 were submitted to the State of Alaska on October 30, 2003.

MILESTONE: NSEDC WILL FILE AN ANNUAL REPORT TO THE STATE OF ALASKA BY MAY 31 OF EACH YEAR

Activity: The NSEDC 2002 Annual report was submitted to the State of Alaska on January 31, 2003.

MILESTONE: NSEDC WILL SUBMIT AN OMNIBUS BUDGET PLAN AMENDMENT, BY THE END OF THE SECOND QUARTER OF EACH YEAR

Activity: NSEDC sent a notice to the State of Alaska on August 4, 2003 to inform them that NSEDC would not be amending our 2003 budget.

CDQ Harvest Management

MILESTONE: BY THE END OF THE THIRD QUARTER OF THE YEAR 2005 NEGOTIATE NEW HARVEST AGREEMENTS FOR ALL MULTISPECIES CDQ.

Activity: No activity this quarter.

MILESTONE: NSEDC AND GFC WILL HARVEST IT CDQ POLLOCK ALLOCATION, AS MUCH AS PRACTICABLE WITHOUT OVER-HARVEST, BY THE END OF EACH FISHING SEASON.

Activity: During the fourth quarter, NSEDC with our partner GFC harvested 1,613 metric tons of CDQ pollock using the *F/V Northern Glacier*.

MILESTONE: NSEDC AND ITS HARVEST PARTNERS FOR CRAB WILL HARVEST ITS CDQ ALLOCATIONS, AS CLOSE AS REASONALBY POSSIBLE WITHOUT OVER-HARVEST, OF CRAB BY THE END OF THE FISHING SEASON EACH YEAR FOR EACH SPECIES.

Activity: During the fourth quarter, NSEDC with our partner Norton Sound Ventures harvested 209,652 lbs of Bristol Bay red king crab using the *F/V Ocean Olympic* and the *F/V Alaskan Beauty*.

MILESTONE: NSEDC AND ITS HARVESTING PARTNERS FOR PACIFIC COD, GREENLAND TURBOT, AND SABLEFISH WILL HARVEST ITS CDQ ALLOCATIONS, AS MUCH AS PRACTIVABLE WITHOUT OVER-HARVEST, BY THE END OF THE FISHING SEASON EACH YEAR FOR EACH SPECIES.

Activity: NSEDC and our partners harvested aapproximately 275 metric tons of CDQ Pacific cod using the *F/V Norton Sound* (GFC) and the *F/V Glacier Bay* (NSV) and the *F/V Northern Aurora* during the fourth quarter of 2003.

MILESTONE: NSEDC AND ITS HARVESTING PARTNER FOR ROCK SOLE WILL HARVEST ITS CDQ ALLOCATION, AS MUCH AS PRACTICABLE WITHOUT OVER-HARVEST, BY THE END OF THE FISHING SEASON EACH YEAR.

Activity: There was no directed harvest of rock sole and/or other flatfish fisheries during the fourth quarter of 2003.

MILESTONE: NSEDC AND ITS HARVESTING PARTNER FOR ATKA MACKEREL WILL HARVEST IT CDQ ALLOCATION, AS MUCH AS PRACTICABLE WITHOUT OVER-HARVEST, BY THE END OF THE FISHING SEASON EACH YEAR.

Activity: During the fourth quarter, NSEDC harvested a total of 576.151 metric tons of Atka mackerel using the *F/V Seafreeze Alaska*.

MILESTONE: NSEDC WILL ATTEND NORTH PACIFIC FISHERIES MANAGEMENT COUNCIL MEETINGS IN 2003-2005 .

Activity: NSEDC staff and representatives attended the NPFMC meetings in Anchorage during the week of December 8th at the Anchorage Hilton.

Fund for Purchase of Equity Interest

MILESTONE: NSIC WILL MAKE A REPORT TO THE BOARD OF DIRECTORS OF NSEDC AT EACH QUARTERLY NSEDC BOARD MEETING.

Activity: NSIC gave a report to the NSEDC Board of Directors at the 2003 third quarter meetings in October 2003.

MILESTONE: NSIC MANAGEMENT COMMITTEE WILL MEET AT LEAST ONCE EACH QUARTER

Activity: NSIC Management Committee met on October 15, 2003.

MILESTONE: NSIC WILL EVALUATE THE POTENTIAL FOR EQUITY INVESTMENT IN ONE OR MORE BERING SEA FISHING COMPANIES BY THE END OF THE FOURTH QUARTER OF EACH YEAR 2003 THROUGH 2005

Activity: Activity is ongoing.

MILESTONE: NSIC WILL TIMELY RESPOND TO ANY OFFER MADE UNDER A BUY/SELL AGREEMENT IN INVESTMENTS TO WHICH NSIC IS A PARTY

Activity: No buy-sell offers were made during the fourth quarter of 2003.

MILESTONE: NSIC WILL ATTEND ALL REGULAR AND SPECIAL MEETINGS OF THE OWNERS FOR COMPANIES IN WHICH NSIC HAS A DIRECT OWNERSHIP INTEREST, OTHER THAN PASSIVE EQUITY INTEREST, AND A RIGHT TO ATTEND AND PARTICIPATE IN THE MEETING.

Activity: NSIC attended the GFC quarterly meeting on December 2, 2003.

MILESTONE: NSIC WILL INCREASE ITS LEVEL OF EQUITY INVESTMENT IN THE FISHING INDUSTRY BY THE END OF THE 4TH QUARTER 2005

Activity: No new NSIC equity investments in the fishing industry were consummated in the fourth quarter 2003.

Funding for Harvesting and Tendering Vessel

MILESTONE: NSIC WILL EVALUATE THE POTENTIAL FOR INVESTMENT IN ONE OR MORE BERING SEA FISHING VESSELS BY THE END OF THE FOURTH QUARTER OF EACH YEAR 2003 THROUGH 2005

Activity: Activity is ongoing.

MILESTONE: NSIC WILL TIMELY RESPOND TO ANY OFFER MADE UNDER A BUY/SELL AGREEMENT IN INVESTMENTS TO WHICH NSIC IS A PARTY

Activity: No buy-sell offers were made during the fourth quarter of 2003.

MILESTONE: NSIC WILL ATTEND ALL REGULAR AND SPECIAL MEETINGS OF THE OWNERS FOR COMPANIES IN WHICH NSIC HAS A DIRECT OWNERSHIP INTEREST, OTHER THAN PASSIVE EQUITY INTEREST, AND A RIGHT TO ATTEND AND PARTICIPATE IN THE MEETING

Activity: NSIC attended the GFC quarterly meeting on December 2, 2003.

MILESTONE: NSIC WILL HAVE AN INTEREST IN ONE OR MORE ADDITIONAL HARVEST VESSELS BY THE END OF THE FOURTH QUARTER 2005.

Activity: Activity is ongoing.

Fund for IFQ Purchases

MILESTONE: NSIC WILL EVALUATE THE POTENTIAL FOR ACQUISITION OF ADDITIONAL QUOTA SHARE BY THE END OF THE FOURTH QUARTER OF EACH YEAR 2003 THROUGH 2005, AND WILL ACQUIRE ADDITIONAL QUOTA SHARE BY THE END OF THE FOURTH QUARTER 2005

Activity: NSIC evaluated both halibut quota shares and IFQ quota shares during the first quarter of 2003.

MILESTONE: NSIC WILL PUT THE IFQ IT OWNS OUT FOR HARVEST, AND HARVEST AS MUCH AS REASONABLY POSSIBLE BY THE END OF THE FOURTH QUARTER EACH YEAR

Activity: Activity is ongoing.

Education, Employment and Training Program – Education & Training Component

MILESTONE: NSEDC WILL HAVE PROVIDED FISHERIES SKILLS TRAINING OPPORTUNITIES UNDER THIS CDP FOR 45 RESIDENTS OF THE REGION OR OF NEARBY COMMUNITIES BY THE END OF THE FOURTH QUARTER OF EACH YEAR.

Activity: A Fisheries Safety Orientation class was held at the Alaska Vocational Technical Center in Seward from October 12 – 23, 2003 in which twenty-two residents were given the opportunity for training, but only six residents successfully completed the course.

MILESTONE: NSEDC WILL AWARD AT LEAST \$120,000 IN SCHOLARSHIPS TO STUDENTS BY THE END OF THE FOURTH QUARTER OF EACH YEAR.

Activity: NSEDC awarded \$3,750 to three students in post-secondary scholarships and \$5,000 to four students in vocational scholarships in the fourth quarter of 2003.

MILESTONE: NSEDC EET PERSONNEL WILL MAKE OUTREACH VISITS FOR THIS PROGRAM TO AT LEAST FIVE COMMUNITIES IN THE REGION OR OF NEARBY COMMUNITIES BY THE END OF THE FOURTH QUARTER OF EACH YEAR.

Activity: The NSEDC EET Coordinator traveled to Nome, Golovin, Savoonga, Gambell and Shaktoolik for community outreach trips during the fourth quarter.

MILESTONE: NSEDC WILL EVALUATE AND FUND AT LEAST ONE K-12 SUPPORT PROGRAM/PROJECT BY THE END OF THE FOURTH QUARTER EACH YEAR.

Activity: NSEDC staff evaluated the possibility of providing financial support for the development of a regional learning center in Nome, which is co-sponsored by the Bering Straits School District and the Nome Public School District, during the first quarter of 2003.

Education, Employment and Training Program - Employment Component

MILESTONE: NSEDC AND NSSP WILL FACILITATE THE EMPLOYMENT OF 110 RESIDENTS OF THE REGION OR OF NEARBY COMMUNITIES ONTO FACTORY TRAWLERS, OTHER OFFSHORE FISHING VESSELS, NEAR-SHORE PROCESSORS AND FISHING VESSELS, AND IN SHORESIDE PROCESSING PLANTS BY THE END OF THE FOURTH QUARTER OF EACH YEAR

Activity: Thirty residents of member communities or of nearby communities received \$199,106.91 in crew share wages from Glacier Fish Company during the fourth quarter.

Twelve residents of member communities or of nearby communities received \$8,619.51 in wages working in the shoreside processing plants from NSSP during the fourth quarter.

One residents of a member community or of a nearby community received \$8,162 in wages from Norton Sound Ventures during the fourth quarter.

MILESTONE: NSEDC EET PERSONNEL WILL MAKE OUTREACH VISITS FOR THIS PROGRAM TO AT LEAST FIVE COMMUNITIES IN THE REGION OR OF NEARBY COMMUNITIES BY THE END OF THE FOURTH QUARTER OF EACH YEAR.

Activity: The NSEDC EET Coordinator traveled to Nome, Golovin, Savoonga, Gambell and Shaktoolik for community outreach trips during the fourth quarter.

MILESTONE: NSEDC WILL PLACE AT LEAST SIX INTERNSHIPS IN OFFICE OR FIELD SETTINGS BY THE END OF THE FOURTH QUARTER EACH YEAR.

Activity: Six internship positions were sponsored by NSEDC at various organizations during the fourth quarter. The following is a list of the organizations, interns and internship positions.

NSEDC

- Leslie Richards, Administrative Intern (White Mountain)
- Haley Asicksik, Administrative Intern (Anchorage)

NSEDC Salmon Rehabilitation & Enhancement Program

- Vaughn Munn, Fisheries Technician (Nome)

ADF&G

- Kevin Strong, Kwiniuk River Tower Intern (Nome)

Bering Strait School District

- Patrick Kotongan, Itinerant Technology Intern (Unalakleet)
- Ransom Bradley, Jr., Inventory Specialist Intern (Unalakleet)

Education Endowment

MILESTONE: NSEDC WILL EVALUATE THE POSSIBILITY OF FUNDING THE EDUCATION, TRAINING, AND SCHOLARSHIP PROGRAM FROM EARNINGS OF THE EDUCATION, TRAINING, AND SCHOLARSHIP ENDOWMENT AND DEVELOP A SCHEDULE FOR DOING SO, BY THE END THE FOURTH QUARTER 2005.

Activity: No activity this quarter.

MILESTONE: NSEDC FINANCIAL ADVISORY COMMITTEE WILL REVIEW INVESTMENT PERFORMANCE AND ASSET ALLOCATION AT LEAST ONCE EACH QUARTER.

Activity: The NSEDC Financial Advisory Committee met and reviewed investment performances on October 14, 2003.

Revolving Loan Program

MILESTONE: NSEDC WILL CONDUCT ANNUAL REVIEWS OF THE REVOLVING LOAN PROGRAM BY THE END OF THE 4TH QUARTER EACH YEAR.

Activity: The NSEDC Financial Advisory Committee met and reviewed the Revolving Loan Program on October 14, 2003.

MILESTONE: NSEDC FINANCIAL ADVISORY COMMITTEE WILL REVIEW THE REVOLVING LOAN PROGRAM PORTFOLIO QUARTERLY.

Activity: The NSEDC Financial Advisory Committee met and reviewed the Revolving Loan Program on October 14, 2003.

Fisheries Development Program

MILESTONE: NSEDC WILL PREPARE A DETAILED PLAN TO CONDUCT FISHERIES DEVELOPMENT ACTIVITIES BY THE END OF THE SECOND QUARTER EACH YEAR.

Activity: A fisheries development plan for 2003 was completed by the program manager for Norton Sound Fisheries Research and Development during the first quarter.

MILESTONE: NSEDC WILL FUND AT LEAST ONE FISHERY DEVELOPMENT PROJECT BY THE END OF THE FOURTH QUARTER EACH YEAR.

Activity: NSEDC Norton Sound Fisheries Research and Development Program conducted a Blue king crab experimental fishery project in Diomedes during the first quarter.

Salmon Rehabilitation and Enhancement Program

MILESTONE: NSEDC WILL PREPARE A DETAILED PLAN TO FUND SALMON REHABILITATION AND ENHANCEMENT PROJECTS BY THE END OF THE SECOND QUARTER OF EACH YEAR.

Activity: A salmon rehabilitation and enhancement plan for 2003 was completed by the program manager for Norton Sound Fisheries Research and Development during the first quarter.

MILESTONE: NSEDC WILL FUND AT LEAST ONE SALMON REHABILITATION AND ENHANCEMENT PROJECT BY THE END OF THE FOURTH QUARTER OF EACH YEAR.

Activity: Norton Sound Fisheries Research and Development began three projects during the second quarter: Juvenile Coho Production &

Distribution Project, Juvenile Chum Ecology Project and the Chum & Coho Fecundity Project. In addition to these three projects NSEDC funded fisheries projects with ADF&G, Kawerak, Inc., Native Village of Unalakleet, and the Bureau of Land Management.

Shoreside Infrastructure Improvements Program

MILESTONE: NSEDC WILL EVALUATE AT LEAST TWO SITE-SPECIFIC SHORESIDE INFRASTRUCTURE IMPROVEMENT PROJECTS EACH YEAR

Activity: The Shoreside Infrastructure Improvements Program evaluated the White Mountain Fisheries Disaster Project, Golovin Fisheries Disaster Project and the Native Village of Unalakleet Seafood Processing Plant Upgrade Project during the first quarter.

MILESTONE: NSEDC WILL MAKE ALL APPROVED CONTRIBUTIONS TO THE NOME NAVIGATION IMPROVEMENTS PROJECT IN A TIMELY FASHION.

Activity: The 2003 contribution to the Nome Navigation Improvements Project was made to the City of Nome on June 27, 2003.

CDQ Fees

MILESTONE: NSEDC WILL MAKE ANY REQUIRED PAYMENTS OF CDQ FEES WITHIN 60 DAYS OF THE END OF THE QUARTER IN WHICH THEY ARE DETERMINABLE

Activity: The NSEDC payment for the 2003 CDQ fees to the State of Alaska was made on June 10, 2003.

Norton Sound Seafood Products

MILESTONE: THE NSEDC BOARD WILL ACT UPON THE RECOMMENDATIONS OF NSSP NO LATER THAN THE END OF THE SECOND QUARTER EACH YEAR.

Activity: NSSP Management made their recommendations for the 2003 operations during the April board of director meetings in Nome.

MILESTONE: NSEDC OR AN NSEDC SUBSIDIARY WILL MARKET AT LEAST 50% (BY WEIGHT) OF THE CDQ CRAB ALLOCATED TO NSEDC BY THE END OF THE FOURTH QUARTER EACH YEAR.

Activity: This activity continues to be coordinated by NSEDC and Glacier Seafood International. Also, NSEDC recently established a joint venture arrangement with Royal Aleutian Seafoods for the processing and sales for NSEDC CDQ crab. The CDQ Norton Sound red king crab harvested out of Nome is directly marketed by NSSP.

Norton Sound Vessel Management

MILESTONE: NORTON SOUND VESSEL MANAGEMENT WILL EVALUATE OPERATIONS IN THE REGION INCLUDING SUPPORT TO THE HERRING, SALMON, CRAB AND HALIBUT FISHERIES BY THE END OF THE SECOND QUARTER EACH YEAR

Activity: Norton Sound Vessel Management prepared, in conjunction with the NSSP 2003 Operations Plan, proposed operations for NSVM for the upcoming season. These plans were presented to the board at the meetings in April 2003 in Nome.

MILESTONE: THE NSEDC BOARD WILL ACT UPON THE RECOMMENDATIONS OF NORTON SOUND VESSEL MANAGEMENT NO LATER THAN THE END OF THE SECOND QUARTER EACH YEAR

Activity: Norton Sound Vessel Management prepared, in conjunction with the NSSP 2003 Operations Plan, proposed operations for NSVM for the upcoming season. These plans were presented to the board at the meetings in April 2003 in Nome.

Community Outreach Program

MILESTONE: PROVIDE STAFF SUPPORT AND FUNDING FOR THE PREVENTION OF ALCOHOL AND SUBSTANCE ABUSE BY THE END OF EACH YEAR.

Activity: During the third quarter meetings in October, staff presented and the board approved two Drug and Alcohol support programs which NSEDC will fund in 2003 and 2004. The first is funding support for Drugs Aren't Wanted in Nome (funding provided in 2003) and the second is the BSSD and NSD Drug & Alcohol Prevention Program to continue to be developed in 2003 and funded in 2004.

MILESTONE: DIRECTLY CONTACT AT LEAST 30 INDIVIDUALS EACH QUARTER REGARDING THE AVAILABILITY OF NSEDC'S TRAINING AND SCHOLARSHIP PROGRAMS.

Activity: Eight applicants received scholarships during the fourth quarter and at least twenty-two potential trainees were contacted regarding the upcoming Fisheries Safety Orientation Class in October during the fourth quarter.

Other Fund Management

MILESTONE: NSEDC FINANCIAL ADVISORY COMMITTEE WILL REVIEW INVESTMENT PERFORMANCE AND ASSET ALLOCATION AT LEAST ONCE EACH QUARTER.

Activity: The NSEDC Financial Advisory Committee met and reviewed investment performance and asset allocation on October 14, 2003.

MILESTONE: NSEDC AND NSIC WILL PROVIDE INVESTMENT OVERSIGHT AND MONITORING OF ALL INCOME-PRODUCING INVESTMENTS DURING EACH QUARTER.

Activity: NSEDC and NSIC monitored all income-producing investments during the fourth quarter and presented a report to the board at the NSIC Management Committee meeting and the NSEDC Financial Advisory Committee meeting in October.

Board Training

MILESTONE: THE NSEDC BOARD OF DIRECTORS WILL ATTEND AN ANNUAL RETREAT FOR THE PURPOSE OF BOARD TRAINING BY THE END OF THE 4TH QUARTER EACH YEAR.

Activity: NSEDC held a Board training session in Seattle on December 4 – 5, 2003.

Substance Abuse Prevention

MILESTONE: NSEDC WILL CONTINUE TO FOLLOW THE SUBSTANCE ABUSE POLICIES OUTLINED IN OUR PERSONNEL POLICIES.

Activity: NSEDC continued to follow the substance abuse policies during the fourth quarter.

MILESTONE: NSEDC WILL SCREEN ALL APPLICANTS FOR EMPLOYMENT POSITIONS WITHIN THE SEAFOOD INDUSTRY FOR DRUG-FREE STATUS.

Activity: NSEDC and GFC continued to screen all applicants for training and seafood industry employment opportunities during the fourth quarter.

MILESTONE: NSEDC WILL MAKE A GRANT TO EACH SCHOOL DISTRICT THAT FALLS WITHIN OUR MEMBER COMMUNITIES TO AID IN FUNDING AN ABUSE PREVENTION PROGRAM/CURRICULUM.

Activity: During the third quarter meetings in October, staff presented and the board approved two Drug and Alcohol support programs which NSEDC will fund in 2003 and 2004. The first is funding support for Drugs Aren't Wanted in Nome (funding provided in 2003) and the second is the BSSD and NSD Drug & Alcohol Prevention Program to continue to be developed in 2003 and funded in 2004.

Community Benefit Share

MILESTONE: THE NSEDC BOARD WILL DECLARE A COMMUNITY BENEFIT SHARE BY THE END OF THE THIRD QUARTER OF EACH YEAR.

Activity: The NSEDC Board declared a \$35,000 Community Benefit Share for 2003 at the board meeting in October.

MILESTONE: NSEDC WILL TRANSMIT FUNDS TO EACH COMMUNITY THAT ACCEPTS THE TERMS OF THE COMMUNITY BENEFIT SHARE WITHIN 45 DAYS OF NSEDC'S NOTIFICATION OF THE ACCEPTANCE.

Activity: All 2003 Community Benefit Share funds were transmitted within 45 days of NSEDC receiving notification and acceptance by the communities during the fourth quarter.

A. Outreach

NSEDC management and staff performed a number of outreach projects/activities during the third quarter of 2003.

- NSEDC Board of Directors held their 2003 third quarter meetings in Nome on October 14 – 16 at the Bering Strait Native Corporation Board room, these meetings were open to the public.
- NSEDC Board of Directors held their Annual Meeting of the Members and Annual Meeting of the Directors on October 17 at the Bering Strait Native Corporation board room, these meetings were open to the public.
- NSEDC Board of Directors notified residents of the 2003 third quarter meetings by placing an ad in the Nome Nugget Newspaper.
- The NSEDC EET Coordinator traveled to Nome, Golovin, Savoonga, Gambell and Shaktoolik during the fourth quarter for community outreach trips.
- The 2003 third quarter reports were mailed out to each member community city office, NSEDC Board of Director and Community Outreach Liaison.
- NSEDC placed a number of newspaper advertisements during the third quarter, please see the attachments to this report.
- NSEDC has Community Outreach Liaisons in thirteen of our member communities with the EET office and the NSSC office serving the communities of Unalakleet and Nome, respectively. The NSEDC liaisons are sent informational fliers, applications, and other various information to disseminate to residents in their communities.
- NSEDC has a web page on the internet (www.nsedc.com) in which constituents can access quarterly reports, newsletters, applications, and information regarding opportunities with NSEDC.

B. Employment

Employment Data Form

Table 1
EMPLOYMENT DATA FORM
December 31, 2003

	Quarter		Year-to-Date	
	People	Wages	People	Wages
Management/Administrative				
NSEDG	2	\$21,061.56	11	\$138,786.18
NSSP	3	\$30,704.82	17	\$207,424.13
Total Management/Administrative	5	\$51,766.38	28	\$346,210.31
CDQ Pollock Related				
A/B Season	0	\$0.00	49	\$480,764.71
C/D Season	27	\$168,970.55	57	\$328,579.47
Total Pollock Related	27	\$168,970.55	106	\$809,344.18
NSSP Employment	11	\$8,319.51	90	\$134,849.36
Other NSEDG Employment				
Skippers, Deckhands, etc.	1	\$300.00	10	\$46,435.00
Total Other NSEDG Empl.	1	\$300.00	10	\$46,435.00
Other Fishing				
GFC - Longline	3	\$30,136.36	9	\$65,000.32
Icicle Seafoods	0	\$0.00	6	\$34,237.98
Bristol Bay Red King Crab	1	\$8,162.83	1	\$8,162.83
Norton Sound Herring	0	\$0.00	25	\$40,399.43
Norton Sound Salmon	0	\$0.00	29	\$66,542.25
CDQ Norton Sound Red King Crab	0	\$0.00	15	\$31,461.00
O/A Norton Sound Red King Crab	19	\$5,239.00	40	\$541,552.00
CDQ 4D/4E Halibut	9	\$14,405.40	18	\$176,277.40
O/A Norton Sound Winter Red King Crab	0	\$0.00	22	\$31,472.75
Total Other Fishing	32	\$57,943.59	165	\$995,105.96
NSEDG Community Outreach Liaisons	14	\$19,500.00	55	\$78,000.00
Interns				
NSEDG Administration	2	\$4,081.19	7	\$15,033.46
NSEDG Salmon Rehab.	1	\$5,224.25	10	\$59,989.93
Glacier Fish Company	0	\$0.00	2	\$9,424.25
Alaska Dept of Fish & Game	1	\$136.20	11	\$45,493.07
Kawerak, Inc - Fisheries	0	\$0.00	8	\$50,210.11
Nome District Attorney's Office	0	\$0.00	2	\$7,574.61
Hageland Aviation - Unalakleet	0	\$0.00	1	\$967.50
Bering Strait School District	2	\$7,844.69	5	\$39,566.88
Native Village of Unk - Enumeration	0	\$0.00	2	\$14,540.12
Total Interns	6	\$17,286.33	48	\$242,799.93
GRAND TOTALS	96	\$324,086.36	502	\$2,652,744.74
	NSEDG =	\$58,147.89	NSEDG =	\$506,021.11
	NSSP =	\$58,668.73	NSSP =	\$1,229,978.32
	Partners =	\$207,269.74	Partners =	\$916,745.31

Employment Summary

Management/Administrative – Five employees were employed by NSEDC/NSSP at various offices in the region, eleven employees were employed in the administrative offices in Anchorage and two were employed in Seattle, WA during the fourth quarter.

CDQ Pollock – Glacier Fish Company paid wages to twenty-seven residents of NSEDC member communities or nearby communities who were employed aboard the *F/V Northern Glacier* and the *F/V Pacific Glacier* during the fourth quarter.

Community Breakdown:

- 4 employees from Stebbins
- 2 employees from Mountain Village
- 4 employees from Unalakleet
- 2 employees for Kaltag
- 4 employees from Anchorage
- 3 employees from St. Michael
- 1 employee from Shaktoolik
- 4 employees from Shishmaref
- 1 employee from Elim
- 1 employee from Nulato
- 1 employee from Koyuk

NSSP Employment – Eleven residents were employed by NSEDC/NSSP at NSSP regional facilities in the region and one was employed as a Skipper of a tender vessel during the fourth quarter.

Community Breakdown:

- 11 employees from Nome
- 1 employee from Shaktoolik

Other Fishing – Three residents of member communities or of nearby communities were employed by Glacier Fish Company aboard the *F/V Norton Sound* during the third quarter.

Community Breakdown:

- 1 employee from Nome
- 1 employee from Shaktoolik
- 1 employee from Unalakleet

Bristol Bay Red King Crab – One resident of a member community was employed on board the *F/V Ocean Olympic* during the fourth quarter.

Community Breakdown:

- 1 employee from Unalakleet

Nineteen fishermen received bonuses for their fishing in the O/A CDQ Norton Sound red king crab fishery fourth quarter.

Community Breakdown:

- 2 fishermen from Elim
- 8 fishermen from Nome
- 2 fishermen from Shaktoolik
- 1 fisherman from Teller
- 6 fishermen from Unalakleet

Nine fishermen received bonuses for their fishing in the CDQ 4D/4E Halibut fishery in the fourth quarter

Community Breakdown: 6 fishermen from Nome
1 fisherman from Unalakleet
1 fisherman from Shaktoolik
1 fisherman from Elim

NSEDC Community Outreach Liaisons – Fourteen residents filled the thirteen liaison positions during the fourth quarter.

Community Breakdown: 2 liaisons from St. Michael
1 liaison from Stebbins
1 liaison from Shaktoolik
1 liaison from Koyuk
1 liaison from Golovin
1 liaison from White Mountain
1 liaison from Brevig Mission
1 liaison from Teller
1 liaison from Wales
1 liaison from Diomede
1 liaison from Savoonga
1 liaison from Gambell
1 liaison from Elim

Interns – Six internship positions were sponsored by NSEDC at various Norton Sound organizations during the fourth quarter.

Community Breakdown: 1 intern from White Mountain
2 intern from Nome
1 intern from Anchorage (Shaktoolik)
2 interns from Unalakleet

C. Training

Training Data Form

Table 2
TRAINING DATA FORM
December 31, 2003

	Quarter		Year-to-Date	
	People	Expenditures	People	Expenditures
Scholarships				
Post-Secondary	3	\$3,750.00	150	\$190,308.00
Vocational	4	\$5,000.00	26	\$35,250.00
Voc-Tech				
Basic				
Advanced				
Other Training				
Fisheries Related	6	\$35,779.98	27	\$103,638.61
Student Loans				
CDQ Staff	11	\$1,164.00	11	\$1,164.00
CDQ Board	14	\$56,397.66	14	\$56,397.66
Other				
Other Expenditures				
To Education Institute				
Education Endowment				
TOTAL	38	\$102,091.64	228	\$386,758.27

Training Summary

Scholarships –

Post-Secondary – Three students received post-secondary scholarships in the fourth quarter.

Community Breakdown: 1 student from White Mountain
 2 students from Unalakleet

Vocational - Four students received vocational scholarships in the fourth quarter.

Community Breakdown: 3 students from Nome
 1 student from Shishmaref

Other Training –

Fisheries Related – Six trainees out of a pool of twenty-two received their certification in Fisheries Safety Orientation Training from AVTEC in Seward, AK during the fourth quarter.

Community Breakdown: 2 trainees from Nome

1 trainee from Stebbins
1 trainee from Anchorage (Shaktoolik)
2 trainees from St. Michael

CDQ Staff – Eleven NSEDC/NSSP staff attended a staff-training workshop in Anchorage on December 18 – 19, 2003. The training included workshops on budgets, purchase orders, etc.

CDQ Board – Fourteen NSEDC Board Members attended a Board of Director Retreat in Seattle, WA on December 4 – 5, 2003. The retreat included training on Reading and Understanding Financial Reports and the Responsibilities and Duties as a board member.

III. Administration

A. Board Activities

Board of Director Meetings

The NSEDC Board of Directors held their 2003 third quarter meetings in Nome on October 15 – 16, 2003, with the standing committees meeting on the 14th and 15th.

Board of Director Elections

NSEDC Representative elections were held in five NSEDC member communities during the fourth quarter. Nome, Savoonga, St. Michael, Elim, and Teller elected the following representative for their community:

Nome	Don Stiles	(re-elected)
Savoonga	Sam Mokiuk	
St. Michael	Victor Joe	(re-elected)
Elim	Charles Saccheus Sr.	
Teller	Isaac Okleasik	(re-elected)

The NSEDC Board of Directors swore in the elected representatives during the membership meeting on October 17, 2003. Victor Joe of St. Michael will be sworn in during the meeting in January 2004.

Board of Director Training

The NSEDC Board of Directors held a training workshop in Seattle, WA on December 4th & 5th, 2003. The training included a session on reading and understanding financials (Patrick Beatty) and Board of Director responsibilities and duties (Ret. Judge Karen Hunt).

Substantial Decisions

During the fourth quarter a number of items were approved by the NSEDC Board of Directors: Seventeen out of thirty-two proposals were approved, providing funding and support to in-region events, projects and activities

Board Meeting Minutes

Please see Attachment 13

B. State of Alaska Reporting Compliance

NSEDC complied with all State of Alaska requirements during the fourth quarter.

C. Amendment Status

Amendments to the 2003-2005 Multi-species Community Development Plan (CDP) related to CDQ harvest management that were submitted during the fourth quarter are listed below:

- CDP amendment 03-13NS: This technical amendment proposed to transfer 43.0 mt of annual CDQ of pollock and 1.0 mt of other species in the BSAI from CVRF to NSEDC. This amendment was approved by NMFS.
- CDP amendment 03-14NS: This technical amendment proposed to transfer 9.0 mt of annual CDQ of pollock, 1.0 mt of arrowtooth flounder and 1.0 mt of other flatfish in the BSAI from CBSFA to NSEDC. This amendment was approved by NMFS.
- CDP amendment 03-15NS: This technical amendment proposed to transfer 60.0 mt of annual CDQ of yellowfin sole in the BSAI from APICDA to NSEDC. This amendment was approved by NMFS.
- CDP amendment 03-16NS: This technical amendment proposed to transfer 20.0 mt of annual CDQ of AI northern rockfish, 10.0 mt of Atka mackerel in area 541, 20.0 mt of Atka mackerel in 542, and 10.0 mt of Atka mackerel in 543 from NSEDC to APICDA. This amendment was approved by NMFS.
- CDP amendment 03-17NS: This technical amendment proposed to add the *F/V Northern Aurora* to the list of vessels eligible to harvest the NSEDC CDQ in the CDQ cod fishery in December. This amendment was approved by NMFS.
- CDP amendment 03-18NS: This technical amendment proposed to transfer 5.0 mt of annual CDQ of other species in the BSAI from APICDA to NSEDC. This amendment was approved by NMFS.

- CDP amendment 03-19NS: This technical amendment proposed to transfer 10.0 mt of annual CDQ of other species in the BSAI from APICDA to NSEDC. This amendment was approved by NMFS.
- CDP amendment 03-20NS: This technical amendment proposed to transfer 10.0 mt of annual CDQ of yellowfin sole in the BSAI from NSEDC to APICDA. This amendment was approved by NMFS.

IV. Harvesting Report

A. Pollock and Multi-species CDQ Harvest Activities by Target Fishery

See the following tables below:

Table 3:	MS CDQ/PSQ Account Status Report 2003
Table 4:	Pollock Target Fishery
Table 5:	Pacific Cod Target Fishery
Table 6:	Atka Mackerel/Pacific Ocean Perch Target Fishery
Table 7:	Yellowfin Sole Target Fishery
Table 8:	Rock Sole Target Fishery
Table 9:	Flathead Sole Target Fishery
Table 10:	Bering Sea Greenland Turbot Target Fishery
Table 11:	Aleutian Islands Greenland Turbot Target Fishery
Table 12:	Bering Sea Sablefish Target Fishery
Table 13:	Aleutian Islands Sablefish Target Fishery
Table 14:	Halibut Harvest Activity
Table 15:	Crab Harvest Activity
Table 16:	CDQ Quota Transfers

Table 3
MS CDQ/PSQ ACCOUNT STATUS REPORT
through Fourth Quarter 2003

CONFIDENTIAL

Table 4
POLLOCK TARGET FISHERY
(in metric tons)

CONFIDENTIAL

Table 5
PACIFIC COD TARGET FISHERY
(in metric tons)

CONFIDENTIAL

Table 6
ATKA MACKEREL /PACIFIC OCEAN PERCH TARGET FISHERIES
(in metric tons)

CONFIDENTIAL

Table 7
YELLOWFIN SOLE TARGET FISHERY
(in metric tons)

CONFIDENTIAL

Table 8
ROCK SOLE TARGET FISHERY
(in metric tons)

CONFIDENTIAL

Table 9
FLAT HEAD SOLE TARGET FISHERY
(in metric tons)

CONFIDENTIAL

Table 10
BERING SEA GREENLAND TURBOT FISHERY
(in metric tons)

CONFIDENTIAL

Table 11
ALEUTIAN ISLANDS GREENLAND TURBOT TARGET FISHERY
(in metric tons)

CONFIDENTIAL

Table 12
BERING SEA SABLEFISH TARGET FISHERY
(in metric tons)

CONFIDENTIAL

Table 13
ALEUTIAN ISLANDS SABLEFISH TURBOT TARGET FISHERY
(in metric tons)

CONFIDENTIAL

Table 14
HALIBUT HARVEST ACTIVITY
(in metric tons)

CONFIDENTIAL

Table 15
CRAB HARVEST ACTIVITY
(in metric tons)

CONFIDENTIAL

Table 16
CDQ QUOTA TRANSFERS
(in metric tons)

B. CDQ Fishing Activities

During the fourth quarter of 2003, NSEDC conducted CDQ fishing operations for Pacific cod and pollock in the Bering Sea, Atka mackerel in the Aleutian Islands management area, halibut in IPHC Area 4D and red king crab in the Bristol Bay fishery. Through the end of the quarter and for the year, NSEDC harvested a total of 35,123 metric tons of annual CDQ including both target and bycatch species, representing approximately 96% of the total available allocation of annual groundfish CDQ.

A summary of the harvest of annual CDQ for the groundfish species by target fishery through the end of the fourth quarter is provided in Table 1. Harvest information for each of these target fisheries by quarter are provided in Tables 2-11, CDQ halibut in Table 12 and CDQ crab in Table 13.

Pollock

During the fourth quarter, NSEDC harvested 1,613 metric tons of CDQ pollock using the *F/V Northern Glacier* on the final trip of the year concluding October 11. See Table 2 for a summary of the CDQ and PSQ harvest in the pollock fishery.

This harvest of CDQ pollock was worth about \$290,000 in CDQ royalty payments to NSEDC.

For the year, NSEDC and the GFC vessels were able to harvest the entire allocation of CDQ pollock in both the A and B seasons except for about 36 metric tons. NSEDC and GFC reserved approximately 24 metric tons of this remaining quantity of CDQ pollock for a NMFS data correction which was not made. The harvest of CDQ pollock for the year amounted to about 31,335.084 metric tons (plus 1,500 mt of coop pollock). This figure includes the transfer of CDQ pollock to NSEDC (52.0 mt) by another CDQ group and harvest by the GFC vessels, and also the transfer of NSEDC quota to another CDQ group for harvest in a trade for coop pollock.

Summary of bycatch: The bycatch rate of other CDQ fish species in the pollock target fishery during the fourth quarter in the B season was about 1.9% of the pollock harvest. The bycatch was made up of a mix of CDQ species including mostly Pacific cod, arrowtooth flounder, other flatfish, flathead sole and other species. There was some bycatch of other (non-chinook) salmon, chinook salmon and halibut but all within limits established for the fishery. Refer to Table 2 for additional detailed information.

Processing report: Products from B season processing of CDQ pollock included fillet blocks, surimi, a small amount of roe and mince.

Compliance/enforcement issues: To the best of our knowledge, the *Northern Glacier* operated in compliance with applicable federal and state laws and regulations governing the fisheries in the Bering Sea and Aleutian Islands. There were no violations reported by NMFS Enforcement.

Pacific Cod

NSEDC harvested about 275 metric tons of Pacific cod in targeted CDQ fishing operations in the Bering Sea during the fourth quarter using the *F/V Norton Sound*, *F/V Glacier Bay* and *F/V Northern Aurora*. The *Northern Aurora* harvested about 141 mt of CDQ cod in fishing operations that commenced after the conclusion of the open access cod B season fishery on December 9 and continued until the end of the year. The *Glacier Bay* harvested about 55 mt of CDQ cod in three days of fishing just after the close of the open access season. The *Norton Sound* harvested about 78 mt of CDQ cod in three fishing days after the close of open access and in one day prior to the start of the 2004 open access cod fishery. See Table 3 for a summary of the CDQ and PSQ harvest in the cod target fishery.

This combined harvest was worth roughly \$55,000 in royalty payments to NSEDC.

For the year, NSEDC harvested about 2,361 metric tons of CDQ cod in directed fishing operations. Approximately 339 mt of CDQ cod was left unharvested for the year - 140 mt was originally dedicated to the target fishery for the GFC longliners and the rest was an amount of bycatch originally set aside for our CDQ pollock and mackerel fisheries that was not taken. NSEDC was not able to take this remaining cod in part due to the other species dilemma which was resolved late in mid-December, in part due to the GFC longliners not being able to stay through December because of a lack of a crew for a third rotation, and in part because the *Northern Aurora* took about 100 mt less than was allocated for the fishery in December. Again this year, CDQ groups collectively did not harvest the entire allocation of CDQ cod. Roughly 1,100 metric tons of the 15,563 metric tons of Pacific cod allocated to the CDQ reserve was left in the water.

Summary of bycatch: Bycatch in the Pacific cod target fishery primarily consisted of 'other species' including skate and sculpin, arrowtooth flounder and non-quota pollock, with smaller amounts of a variety of flatfish and rockfish. See the attached harvest summary in Table 3 for more detailed information.

Processing report: Products from our Pacific cod CDQ fishery were primarily headed and gutted, eastern-cut and western cut cod packaged and frozen in approximately 40-pound and 50-pound blocks.

Compliance/enforcement issues: To the best of our knowledge, the *Norton Sound*, *Glacier Bay* and *Northern Aurora* conducted CDQ Pacific cod fishing operations in compliance with applicable federal and state laws and regulations governing the fisheries in the Bering Sea and Aleutian Islands. There were no violations reported by NMFS Enforcement.

Sablefish

NSEDC did not conduct targetted fishing operations for CDQ sablefish in the BSAI during the fourth quarter. The *F/V Shemya*, however, harvested approximately 5.5 metric tons of CDQ sablefish in the Bering Sea as bycatch in the CDQ halibut clean-up fishery in Area 4D. This harvest generated revenues for NSEDC of about \$10,600. See Tables 10 and 11 for a summary of the CDQ and PSQ harvest in the sablefish target fisheries.

For the year, NSEDC directly harvested only 5 mt of CDQ sablefish in the Aleutian Islands and the 5.5 mt in the Bering Sea. Another 40 metric tons of sablefish CDQ in the Bering Sea was transferred to Yukon Delta Fisheries for harvest by their vessel, the *F/V Lisa Marie*. The *Lisa Marie* harvested a small portion of this quota during the quarter generating a royalty payment to NSEDC of approximately \$2,400.

Greenland Turbot

NSEDC did not conduct targetted fishing operations for CDQ Greenland turbot in the BSAI during the fourth quarter. See Tables 8 and 9.

For the year, NSEDC harvested about 11 metric tons of CDQ turbot in the Bering Sea in targetted fishing operations. Approximately another 20 mt of the turbot quota in the Bering Sea was left unharvested while there was not enough of a quota in the Aleutian Islands to justify a fishery.

Atka Mackerel

During the fourth quarter, NSEDC conducted targeted fishing operations for Atka mackerel in the three regulatory areas of the Aleutian Islands – areas 541 (eastern), 542 (central) and 543 (western). The *F/V Seafreeze Alaska* harvested a total of 576.151 metric tons of Atka mackerel – 98.266 metric tons in the eastern Aleutian Islands, 281.785 metric tons in the central area and 196.1 metric tons in the western area. The *Seafreeze Alaska* started CDQ fishing operations for mackerel on October 11 and finished on November 10 after the allocation of CDQ mackerel was taken. The harvest of mackerel and related bycatch during the quarter was worth about \$64,000 in royalty payments to NSEDC.

See Table 4 for a summary of the harvest of CDQ and PSQ in the Atka mackerel target fishery.

For the year, NSEDC harvested almost the full amount of CDQ Atka mackerel or about 95% of the allocation. NSEDC obtained additional amounts of CDQ bycatch species to support mackerel fishing operations.

Summary of bycatch: The bycatch rate of other CDQ species in the mackerel target fishery was about 29%. This bycatch was predominantly Pacific cod,

northern rockfish, POP, non-quota pollock and other species with lessor amounts of Greenland turbot and various flatfish species. Refer to Table 4 for additional detailed information.

Processing report: Products from the Atka mackerel fishery were H&G fish frozen in 40-pound blocks.

Compliance/enforcement issues: To the best of our knowledge, the NSEDC-contracted vessel conducted CDQ Atka mackerel fishing operations in compliance with applicable federal and state laws and regulations governing the fisheries in the Bering Sea and Aleutian Islands. There were no violations reported.

Yellowfin Sole and Rock Sole

There was no directed harvest of CDQ yellowfin sole, rock sole and/or other flatfish fisheries during the fourth quarter. Lack of available annual CDQ of other species prevented NSEDC from pursuing these CDQ fishing operations. Earlier in the year, NSEDC transferred 370.0 metric tons of CDQ yellowfin sole to APICDA for harvest by Cascade Fisheries. Cascade Fisheries harvested about 310 mt of CDQ yellowfin during the second quarter and NSEDC received a royalty payment of approximately \$8,000. See Table 5, 6 and 7.

Halibut

NSEDC harvested 98,903 pounds of CDQ halibut in IPHC Area 4D during the quarter working with local fishermen and the *F/V Shemya*. Seven local fishermen harvested and delivered 7,278 pounds of CDQ halibut to the Norton Sound Seafood Center in Nome in ten deliveries between October 4 and October 15. The *Shemya* harvested 91,625 pounds in three trips and deliveries during the month of October in a clean-up fishery after the local fishery concluded operations. This clean-up fishery generated about \$112,000 in CDQ royalty payments to NSEDC. See Table 12.

For the year, NSEDC harvested 176,598 pounds of CDQ halibut leaving only 6,102 pounds of annual halibut quota not harvested. The local fishermen harvested and delivered to the Norton Sound Seafood Center a total of 72,027 pounds, while the *Glacier Bay* harvested 12,946 pounds and the *Shemya* took 91,625.

Summary of bycatch: The *Shemya* had bycatch of black cod reported and retained during halibut fishing operations.

Processing report: NSSP processed the catch of CDQ halibut at the NSSC located in Nome. The product was primarily sold as fresh headed and gutted fish.

Compliance/enforcement issues: To the best of our knowledge, the *Shemya* and local fishermen involved in the CDQ fishery operated in compliance with

applicable federal and state laws and regulations governing the halibut fishery in Area 4D. There were no violations reported by NMFS Enforcement.

Bering Sea Opilio Crab

There was no directed harvest of CDQ opilio crab during the fourth quarter. The opilio crab fishery takes place during the first quarter of each year. See Table 13.

Norton Sound Red King Crab

There was no directed harvest of CDQ red king crab in Norton Sound during the fourth quarter. See Table 13.

Bristol Bay Red King Crab

NSEDC conducted a CDQ fishery for red king crab in Bristol Bay starting in late October and concluding in mid November. The *F/V Ocean Olympic* and *F/V Alaskan Beauty*, vessels in which NSEDC is 50% owner, harvested the CDQ crab on our behalf. The *Ocean Olympic* harvested 137,792 pounds in a single trip and delivery on November 5. The *Alaskan Beauty* took 71,860 pounds in two trips and deliveries on November 10 and 16. Dead loss was minimal at 342 pounds or 0.16% of the total catch. Only 415 pounds of CDQ crab was not harvested. See Table 13. Average size of the crab was quite a bit larger than last year at about 7.67 pounds. The announced ex-vessel price was \$5.05 per pound but the vessels reached incentive bonuses. This CDQ king crab harvest was worth about \$522,153 in harvest royalties to NSEDC.

Summary of Bycatch: There was no reported bycatch of other crab species in the Bristol Bay CDQ red king crab fishery.

Processing Report: Royal Aleutian processed the catch of CDQ red king crab at their shoreside plant located in Dutch Harbor. Product included various sizes and grades of frozen sections packed in 25-pound boxes.

Compliance/Enforcement Issues: To the best of our knowledge, NSEDC-contracted vessels operated in compliance with applicable federal and state laws and regulations governing the fisheries in the Bering Sea and Aleutian Islands. NSEDC crab harvesting vessels each carried a fisheries observer while harvesting CDQ crab.

St. Matthew Blue King Crab

There was no harvest of CDQ king crab at St. Matthew during the fourth quarter. This commercial crab fishery is closed again to open access and CDQ harvest in 2003.

Bering Sea Bairdi Crab

There was no harvest of CDQ bairdi crab during the fourth quarter. This commercial crab fishery is closed again to open access and CDQ harvest in 2003.

Projection of Annual CDQ in 2004

A projection of annual CDQ in 2004 is shown in Attachment 1 to this report.

There is one major change in the CDQ allocations and management in this coming year from previous years. NSEDC and the other CDQ groups will not receive allocations of BSAI other species. Management of other species CDQ will be similar to the Bering Sea shortraker /rougheye rockfish complex and Bering Sea northern rockfish management during this past year. NMFS will manage these species categories at the CDQ reserve level as a sector. Shortraker, rougheye and northern rockfish will be managed as species categories for the BSAI and at the CDQ reserve sector level.

CDQ groups will be required to report catch of these species as in past years, and NMFS will continue to monitor the harvest by each CDQ group and the overall harvest by the CDQ sector. NSEDC will still need to continue to carefully monitor the catch and reduce the bycatch of these species whenever possible. The impact of the CDQ groups collectively exceeding the CDQ reserve for these species and overfishing levels could be fisheries closures for all of the groups.

CDQ Crab Custom Processing and Sales Activities

NSEDC continues to operate under a CDQ crab processing agreement with Royal Aleutian Seafoods which provides flexibility for NSEDC to choose prior to the start of CDQ fishing between NSEDC-directed custom processing and sales, and/or joint venture arrangements and profit sharing with Royal Aleutian for the processing and sales of CDQ crab. NSEDC will continue to work with Glacier Seafoods International – the sales and marketing division of GFC – when custom processing CDQ crab. During the quarter, NSEDC was involved in joint venture CDQ crab production in the Bristol Bay red king crab fishery.

2003 Bristol Bay red king crab

We carefully evaluated various options, product types, costs and product values and decided to combine custom processing of a 3-kg product for a Japanese customer and joint venture operations with Royal Aleutian while maximizing the production of fresh No. 1 sections. A part of the strategy in maximizing fresh product production was to support the production and sales of fresh product from the Norton Sound fishery.

Unfortunately, due to a mistake in ordering special three piece cartons for the 3-kg product and also the timing of the delivery of raw crab by the *Ocean Olympic*, we were unable to fill the delivery under our custom pack. The entire production went to the joint venture operation.

Royal Aleutian processed red king crab from the Bristol Bay CDQ fishery into variety of product forms totaling 142,717 pounds of finished product in November. Product forms included cooked and brine frozen No. 1 and grade A sections, fresh cooked No. 1 product, whole cooked brine and fresh product and live crab. The product recovery rate with all of these product forms was over 68%. The entire production of king crab product has been sold. NSEDC will receive a minimum of \$75,000 as the profit share with Royal Aleutian for the sales of product from this fishery.

V. Confidential Issues

A. Financial Statements

NSEDC Statement of Financial Position (Attachment 1)
NSEDC Statement of Activities (Attachment 2)
NSEDC Statement of Cash Flows (Attachment 3)
NSEDC Administrative Expense Schedule (Attachment 4)
NSEDC Budget to Actuals (Attachment 5)
NSEDC Species Royalty Analysis (Attachment 6)
Glacier Fish Company Report
 Balance Sheet (Attachment 7)
 Comparative Schedule of Operations (Attachment 8)
 Statement of Cash Flows (Attachment 9)
Norton Sound Ventures LLC
 Balance Sheet (Attachment 10)
 Consolidated Income Statement (Attachment 11)
 Statement of Cash Flows (Attachment 12)

In accordance with State of Alaska Statutes 6AAC93.070 (b), (c), and (d), NSEDC requests these and other documents marked “CONFIDENTIAL” be kept confidential and not released to the public or any other party.

B. Tax Issues

None

C. Imminent Major Investments

None, other than anything that NSEDC may have provided to the State of Alaska under a confidentiality petition.

D. Other

Also included as attachments to this report are newspaper advertisements for the fourth quarter.